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# FEDERAL ENERGY REGULATORY COMMISSION

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WASHINGTON, D.C. 20426

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## NEWS RELEASE

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### FOR IMMEDIATE RELEASE

May 17, 2000  
Docket Nos. ER99-3144-001, 002  
and EC99-80-001, 002

### COMMISSION ADDRESSES ALLIANCE REGIONAL TRANSMISSION REHEARING, COMPLIANCE ISSUES

The Federal Energy Regulatory Commission ruled today that further modifications are needed before a proposed for-profit transmission company may move forward.

In December 1999, the Commission conditionally accepted a proposal by five utilities—the Alliance Companies—to form a for-profit transmission company, or transco. At that time, the Commission expressed concern with the Alliance Transco's governance structure, potential financial conflicts of interest by its officers and directors, the proposed rate structure and potential barriers to east-west power transactions.

Chairman James J. Hoecker said: "The Commission emphasized in Order No. 2000 that it will remain flexible and entertain a variety of RTO approaches. However, the Alliance proposal and its compliance filing have key inadequacies, especially with respect to issues of independence and rate structure. I believe it is critical for the Commission to provide frank advice and analysis at this time, so that such RTO proposals can be substantially improved over the summer. We also offer mediation and less formal kinds of consultation. If the industry seriously avails itself of these resources and opportunities, Order No. 2000 will succeed."

The Commission said today that the Alliance Transco has not yet met the independence requirements of Order No. 2000—a key element in RTO formation. The Commission said that independence of an RTO from influence or control by other market participants is of paramount importance. Independence works to assure open-access, with transmission free of the influence of generation or distribution interests.

(2)

The Commission deferred action on Alliance's rate issues until the companies file a revised rate design, a revised open access transmission tariff, and satisfy other compliance matters that remain outstanding.

The members of the Alliance Companies—American Electric Power Service Corporation, Consumers Energy Company, The Detroit Edison Company, FirstEnergy Corp., and Virginia Electric and Power Company, along with their 11 public utility operating subsidiaries—serve more than 26 million customers in nine states.

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